

# Take cover when investing in property



## According to our recent research,<sup>1</sup> investing in property is one of the top three financial goals for Australian expatriates like you.

The favourite location for property purchases is back home with around half of all Australian expatriates using their high disposable income to invest in Australian real estate.<sup>2</sup>

Australian expatriates have historically been driven by keeping a personal foothold in the rising Australian property market but, like many other expatriates, you may also be interested in investing in non-owner-occupier properties. This option may provide you with an attractive source of income and capital growth.

Expatriates are attracted by the strong growth in Australian property values over the last 20 years and, although the market across the country has slowed, growth in 2014 was still almost 9% year on year. Sydney and Melbourne's above average price increases are partly driven by the strong

demand from expatriates and other overseas buyers. Only a rise in interest rates or controls on bank lending to property investors are likely to slow down the growth in Australia's two largest cities.<sup>3</sup>

You may choose to invest in Australian property because of the difficulty of buying in your current local market, perhaps due to high prices or restrictive local laws, or because you view your stay there as too short term.

Half of all Australian expatriates purchase property back home as an investment, most likely in Sydney or Melbourne.

The Australian market is attractive due to its strong regulations, transparent buying processes and clarity of long-term title ownership.

<sup>1</sup> Independent research conducted by AMRB in the United Arab Emirates, Singapore and Hong Kong on behalf of Friends Provident International, January 2014.

<sup>2</sup> Independent Expat Explorer research commissioned by HSBC 2017.

<sup>3</sup> RP Data CoreLogic – [www.corelogic.com.au](http://www.corelogic.com.au)

## Protect your property investment and safeguard your lifestyle

When buying property, you may look for funding through a residential or non-owner-occupier mortgage. While you may be in a position to fund a purchase from cash, taking out a mortgage may suit your circumstances better. When taking out a mortgage or a series of mortgages, perhaps for hundreds of thousands of dollars or more, you should also consider taking out a life insurance plan. This could protect your property investment, if you become unable to meet the repayments in the event of:

- being diagnosed with a critical illness
- becoming permanently disabled
- premature death.

Most of the international lenders or specialist brokers that provide mortgages to expatriate customers insist on this level of protection insurance.

You will understandably want to ensure that the right cover is in place to give you and your loved ones financial peace of mind in any event.

### What the cost could look like

The average house value across Australia's eight state and territory capitals in October 2017 was **AUD 545,000** (an annual increase of 9%) and the average value of residential properties in Sydney was **AUD 680,000** (an annual increase of 13%).<sup>3</sup> Here are two examples of what life cover might cost you.

#### Example 1

For an average property in Sydney, life cover with a mortgage over 25 years:

House value: **AUD 680,000**

Deposit: **AUD 340,000**

Mortgage value: **AUD 340,000**

Life cover on a level basis, against the mortgage would cost you **AUD 55.02**.<sup>4</sup>

On a decreasing term basis, the monthly cost you could expect would be **AUD 34.70**.<sup>5</sup>

#### Example 2

For a property worth AUD 1.8 million, life cover with a mortgage over 25 years:

House value: **AUD 1.8 million**

Deposit: **AUD 900,000**

Mortgage value: **AUD 900,000**

Life cover on a level basis, against the mortgage would cost you **AUD 139.98**.<sup>4</sup>

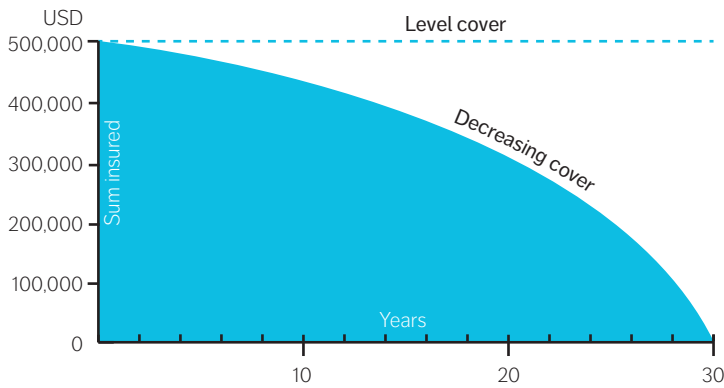
On a decreasing term basis, the monthly cost you could expect would be **AUD 86.15**.<sup>5</sup>

Your financial adviser will be able to provide guidance about the suitability and availability of decreasing term and level term assurance.

<sup>4</sup> Premiums based on providing level life cover for a 35-year old Australian male expatriate, non-smoker, living in Hong Kong, 25-year term. AUD values converted from USD premium values.

<sup>5</sup> Premiums based on providing decreasing term life cover for a 35-year-old Australian male expatriate, non-smoker, living in Dubai, 25 year term, 7% interest rate. AUD values converted from USD premium values.

## Mortgage cover terms explained



Level cover will pay out a fixed sum on death at any time during the term of the plan. Decreasing cover, which will generally cost less, will more closely mirror your outstanding loan, meaning that the sum payable on death will reduce as your mortgage is repaid. Whichever cover option you choose, you and your lender will be reassured that you can repay the loan. And your family won't have to bear the burden of the mortgage repayments if you die prematurely.

## Enjoy comprehensive cover

While it's important to safeguard your home and mortgage, it's equally important to protect yourself, your family and your lifestyle.

Adding critical illness cover and/or total and permanent disability benefit to your life insurance plan will ensure that your mortgage is paid in the unfortunate event that you become seriously ill or experience a life-changing accident.

## Protection at a glance

Cover type	What does this mean?	Benefits for you and your loved ones
<b>Life cover</b>	A cash lump sum will be paid to financially support your loved ones if you die.	Peace of mind that your loved ones could survive financially without you and security for them, knowing they won't have to worry about financial matters.
<b>Critical illness cover</b>	Pays a cash sum if you are diagnosed with one of a defined set of critical illnesses.	You can concentrate on recovering, rather than worrying about your finances as your plan will cover any liabilities.
<b>Life or earlier critical illness cover</b>	Pays a cash sum if you die or are diagnosed with one of a defined set of critical illnesses – whichever happens first.	Financial protection for both scenarios.
<b>Terminal illness benefit</b>	Pays a cash sum if you are diagnosed with a defined terminal illness.	You can spend quality time with your family, with the help of financial support.
<b>Total and permanent disability benefit</b>	An optional addition to life cover, paying a cash sum if you are diagnosed with a defined total and permanent disability.	You will receive financial support, if you are totally and permanently disabled.
<b>Single and joint life</b>	The plan can be set up on either a single or joint life basis.	Financial security that you or your spouse is covered.

It's worth investigating the different protection plan options, to make sure you're sufficiently covered. With the right plan, you can have confidence that your family, your home and other financial commitments are taken care of, wherever you choose to live and work.

As an expatriate, you will want your plan to be portable, so that it will continue to provide the cover you need if you decide to move to another country or return home to Australia. Domestic Australian insurers will normally only provide cover to people living in Australia, so may not offer you the cover and portability you need. It is likely that your needs can be met by an international protection plan.

Many financial providers offer a choice of either level or decreasing cover while you are repaying a loan.

We offer a range of financial planning solutions, designed with your specific needs in mind. These aim to help you protect your property investment portfolio.

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[www.fpinternational.com](http://www.fpinternational.com)

Visit our website to learn more about our range of flexible savings, investment and protection plans.

Speak to your financial adviser today to see how we could help you protect your property portfolio.

## About Friends Provident International

We are a leading financial services provider, with a reputation of trust, commitment and integrity, offering financial solutions to customers throughout their lives.

Friends Provident International has over 35 years of international experience and our heritage dates back over 180 years.

**Please note that the tax rates and provisions provided in this document are taken as at 1 January 2018 and are subject to change.**

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**Please seek professional advice, taking into account your personal circumstances, before making investment decisions. We can accept no liability for loss of any kind incurred as a result of reliance on the information or opinions provided in this document.**

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